Chief Secretary to Government.—

Not the latter in any case.

Mr. Malur Subba Rao.—

Are the Government aware that there has been a marked shrinkage of credit as a result of the extension of the Regulation and that needy raiyats are unable to raise loans ?

Chief Secretary to Government.—

Government have no information.

Mr. Venkataramane Gowda.—

Is not this Regulation calculated to promote the best interests of the raiyats ?

Chief Secretary to Government.—

Government think so.

Mr. Venkataramane Gowda.—

Have not the Government embodied in this Regulation all the best points in many other Regulations ?

Chief Secretary to Government.—

I think I had better not answer the question.

Mr. Venkataramane Gowda.—

Is this Regulation not a boon to the agricultural classes as a whole ?

Chief Secretary to Government.—

That is the opinion of Government.

Mr. Hosakoppa Krishna Rao.—

Have any raiyats represented that the extension of the Regulation has done them any good ?

Chief Secretary to Government.—

That is what they say.

GOVERNMENT BUSINESS—(*Continued.*).

I. General Principles of the Bill to amend the Land Revenue Code—(*concld.*).

MR. B. S. PUTTASWAMI observed that the first portion of the statement of the general principles of the Bill which

referred to the amendment of Section 129 was really in the interests of the raiyats and that he would support it whole-heartedly. At the time of the record of rights, if any encroachments were found out, the survey officers merely recorded that so much land had been encroached upon but had no power to get the owner possession of such land because the person in wrongful possession could not be evicted by any executive action on their part or on the part of the revenue authorities. The injured party was therefore obliged to seek remedy in a civil court and spend a lot of money and time over it. Civil litigation had increased in all the taluks in which survey operations had been conducted. For this reason, representatives of the people had urged upon the attention of the Government the desirability of vesting power in the Deputy Commissioner to evict summarily persons in wrongful possession of lands. Government had accordingly taken action in the matter and the proposed measure satisfied their demands and was therefore welcome to them. By the introduction of the additional clause under consideration, not only would the remedy be afforded soon but the huge expense and inordinate delay that would be necessary for getting the disputes settled in a civil court would be avoided.

The second amendment referred to the Government taking power to recover by summary process land revenue arrears of more than two years even if they related to years during which a village was not under Government management. He thought that this could not be justified. He did not see why Government should have greater powers than what the inamdar himself enjoyed. On principle it was objectionable that a Manager ought to enjoy more powers than the principal himself. In the past, Government wanted to take such powers in the case of the Sringeri and the Yelandur Jahgirs and had also placed before the Assembly a Bill to that effect. The proposal, however, had fallen through. The present amendment, he said, was worse than that, because, while that Bill referred only to two jahgirs, the present measure referred to all inam villages under Government management.

Secondly, the difficulties of the raiyats in inam villages were very many. However much deserved, it was quite impossible for the tenants of inam villages to get remissions. Even for amounts paid they were not getting receipts from the inamdars. In such cases, if the village came under Government management and the officers wanted to collect

six years' revenue from the tenants simply because they could not produce receipts in token of payment, the raiyats would be subjected to many hardships. There was no reason for Government taking power to collect six years' dues. It would be a different thing if the arrears fell due for that period throughout which the village was under the management of Government; in such a case, it might be justifiable on the part of Government to take power to recover the arrears for those six years. If, on the other hand, the arrears related to a period during which the village was under the management of the inamdar himself, Government should not seek such special powers.

THE FIRST MEMBER OF COUNCIL replied that Government had re-considered this aspect of the matter and proposed to take power to collect six years' revenue only in respect of dues subsequent to Government taking over management and that this power would not have retrospective effect.

This was agreed to by the House and with this modification in the second amendment the general principles of the Bill were put to vote and *passed* by the House.

II. Statement of the General Principles of a Bill to provide for the Imposition and Collection of an Excise Duty on Matches.

THE DEVELOPMENT SECRETARY TO GOVERNMENT explained the general principles of the Bill as follows:—

"The Government of India have enacted a measure, the Matches (Excise Duty) Act, 1934, for levying an excise duty on matches and it imposes a duty amounting to one rupee per gross of boxes containing 40 matches in a box.

"The Government of India have entered into an arrangement with most Indian States, including Mysore, under which every State in which matches are made, or may in future be made, might recover a corresponding tax paying the proceeds into a common pool along with the proceeds of the British Indian tax; and the amounts in this pool will be divided on an estimated consumption basis between British India and the States that have entered into the arrangement. The above mentioned Act also empowers the Government of India to prohibit the import into British India of matches manufactured in any State in India and this power of prohibition will be used against matches produced in any State which does not come to the agreement. To give effect to the agreement of the Government of India, it is necessary to

enact a Regulation to impose and collect a duty on matches manufactured in Mysore similar to the duty imposed and collected in British India.

"Since the levy of duty in British India came into effect from 1st April 1934 and the imposition of the duty in Mysore has to come into force immediately, the Emergency Regulation has been brought into force from 21st May 1934 under powers vested in the Government under Section 12 of the Mysore Legislative Council Regulation.

"As it is necessary to continue the measure beyond the period during which the Emergency Regulation has force, it is proposed to introduce a measure on the lines of the British Indian Act providing for the continuance of the levy of the duty in Mysore."

MR. K. T. BHASHYAM AIYANGAR observed that the Government were expecting to realise an additional income of about Rs. 3½ lakhs for the first year if this duty was levied. So far he was glad. But the House would not be justified in agreeing to this new levy unless there was going to be some corresponding benefit to the match industry. He therefore suggested that, with a view to promote this indigenous industry, Government should grant a subvention of at least Rs. 1½ lakhs. Apart from this condition, he said that he was not sure if there was any compulsion from the Government of India that the Mysore Government also should levy an excise duty on matches manufactured locally. All that they had said was that they would prohibit the import into their territories of matches manufactured in the State unless the duty was levied on matches manufactured in that State. The position so far was that Mysore matches could not compete with foreign matches in the open market and the levy of a duty on British Indian matches had afforded a splendid opportunity for Mysore matches to gain a vantage ground. Instead of seizing that opportunity, the Mysore Government was proposing to levy a duty unnecessarily. If no excise duty was levied, matches manufactured locally could be sold cheaper, and the industry would thrive.

If the excise duty was levied, the locally manufactured matches could not be sold cheap and as in the past foreign matches would be dumped in abundantly and the consumer would be hit hard. As a consequence, the indigenous industry would perish in the long run. In other words, Government would be killing the industry in its anxiety to realise some little extra revenue for a few years. In order to prevent such a catastrophe, he requested the Government

either to withdraw the Bill, or, if the levy was decided upon, to give a subvention of Rs. 1½ lakhs out of the amount which they collected in the shape of duty. By this arrangement, not only would the industry develop but the Government also would get additional revenue. If no subvention was given and if after a time the Government of India repealed their Act, it would be very difficult, then, for the Mysore Government to resuscitate the local industry, because in the meanwhile it would have been killed. He was not unaware of the fact that if the Mysore Government gave any special encouragement to the industry it might not be viewed with favour by the Government of India and the Mysore Government would have to see how best such a position should be defended. If the Government of India did not agree to give the prescribed share of their income from this duty in case such special encouragement was afforded to our own industry, then it would not be well for this Government to continue to levy the duty on locally manufactured matches.

MR. M. A. GOPALASWAMI IYENGAR opposed the measure for the reasons urged by the previous speaker. He added that even in British India there were loud protests from Provincial Councils against the imposition of the duty on matches on the ground that neither the factory owners nor the consumers would prosper if the duty was levied. The Government of India had levied the duty without consulting the Tariff Board as they usually did on all similar questions. All at once they had done it just to earn an additional revenue. Such an attitude should not be copied by Mysore. If the duty was levied here, he was sure that consumption would fall, as in some other provinces, by about 20 per cent. Further, opportunities would thereby be afforded for foreign manufacturers to dump their goods in Mysore, and it would be impossible for local manufacturers to compete with them. He did not know whether the object of the Government was to get more money without an eye to the prosperity of their own local industries and their own people. After all, the match industry was a new indigenous industry, and if in the beginning alone an excise duty was levied, it could not survive. For this reason, he was not in favour of the levy. But if it was decided to levy the duty, at least the Government might favourably consider Mr. Bhashyam Aiyangar's suggestion about the grant of a subvention as a means of helping the industry.

MR. C. N. NARASINGA RAO supported the measure. Referring to the suggestion that if no excise duty was levied,

matches manufactured locally could be sold cheaper, he said that there was only one match factory in Mysore and all the matches manufactured by it were quite insufficient to meet even the local demand. Under such circumstances he did not know how the non-levy of the duty would encourage the factory so much as to be able to meet the entire local demand. And so long as that was not possible, he did not see the reason why the State should forego some extra income resulting from the levy of the duty.

As regards a subvention, he said that not the match industry alone but every other industry stood in need of encouragement and so it should be distributed among all indigenous industries. He fully agreed that the entire amount received by the State from the Government of India should not be utilised for purposes of general administration.

MR. P. SEETHARAMIAH pointed out that the duty proposed to be levied in British India was designed to increase their revenues and that there might be no necessity whatever for its levy in States like Mysore. But perhaps there was no option left to the State in regard to the proposed levy and so it had to be agreed to even unwillingly.

As regards the suggestion about subvention, he did not agree that only the match industry should benefit by it. The general consumer who was paying for it heavily enough was also entitled to some share of the relief. The speaker might have agreed to Mr. Bhashyam Aiyangar's suggestion if all the matches consumed in the State had been manufactured locally. And if that had been the case, the Mysore Government could not have expected to get from the Government of India as a result of this levy as much as Rs. 5 lakhs per annum. The State was using large quantities of foreign matches and there was no reason why it should not derive the benefit of the duty imposed on them. He was not for foregoing this additional source of revenue, more especially because the Government of India would pay Mysore more than what the latter collected from the levy within its own borders. For these reasons he also supported the measure.

MR. T. S. ALI KHAN also supported the measure. He observed that the bulk of the matches used in the State came from outside, the local supply being very small. And if the Mysore Government did not levy the excise duty, the Government of India would levy it and profit by it. Mysore would thus forego in favour of the British Indian exchequer what it might otherwise derive for itself. On the other hand, if the excise duty was levied, not only all the collections would

remain in the State but something more would also come in from British India under the proposed arrangement. Matches being a commodity used by all alike, lakhs and lakhs of rupees worth of matches were being imported and there was every possibility of increase in imports in future, as a result of which the Rs. 5 lakhs estimated as derivable by the State every year would increase in course of time. Under these circumstances, he gladly supported the measure.

MR. K. CHENGALARAYA REDDY, in further supporting the measure, pointed out that the State had not taken the initiative in the matter of the levy of the duty. Because the British Indian Government had levied a duty, the State also was proposing to do it. The action of the Mysore Government in this respect was quite in keeping with the times, when things like Federation and federal taxation were looming large in the horizon, and a refusal by Mysore to levy the duty would have repurcussions which might, for one thing, not do credit to the political consciousness of the State, and for another, come in the way of the maintenance of harmonious trade relations with the rest of India. It was most desirable that the flow of trade between Mysore and other parts of India should be free and unrestricted. If Mysore did not agree to levy the duty, the Government of India would use the power vested in them of prohibiting the imports into British India of matches manufactured in Mysore.

Regarding the grant of a subvention as suggested by Mr. Bhashyam Aiyangar, he said there were two objections to that. Firstly, according to that suggestion there might be the possibility of matches selling cheaper if a subvention was granted to the match industry. But, if that happened, as Mr. Bhashyam Aiyangar himself had anticipated, the Government of India would naturally object and put obstacles in the way of matches selling cheaper. In such an event, the full benefits derivable by the grant of subvention would not actually be derived. Secondly, even granting that a subvention was granted, there was no guarantee that matches would sell at lower prices always. Local manufacturers themselves might raise the prices to the British Indian level which the consumer would have needlessly to pay. At a time of financial stringency this measure was very welcome and it was a matter for great satisfaction that the State was going to derive more than what its subjects paid in the shape of duty.

All things considered, he said that it was very desirable to take time by the forelock and add to the State's revenues.

MR. JATHARE NAIK commended the measure for the acceptance of the House as it would help the Government in its efforts to tide over the present financial stringency.

MR. BELUR SRINIVASIENGAR observed that the Mysore Government had already passed an Emergency Regulation to give effect to the arrangement entered into with the Government of India. The Government had placed the Bill before the House as a matter of mere formality and even if the measure was going to be voted down by the House, the Government were sure to go ahead with it, so that there would be no use in opposing it. Apart from this aspect, he observed that if Mysore did not levy the duty, the general consumer would have to pay heavily to the British exchequer, whereas if the measure was passed, the Mysore Government would get all that money and much more. Hence he requested the House to accept the measure.

MR. HOSAKOPPA KRISHNA RAO, in opposing the Bill, said that the match stick was a commodity which was used by almost every person in the world and so if a duty was levied on it, every one would have to pay it and as such the Mysore Government should protest against the levy instead of feeling helpless and saying that because the Government of India had levied it, they should also adopt a similar course.

THE FIRST MEMBER OF COUNCIL observed that there was no compulsion from the Government of India in the matter and the measure had been proposed by Government out of its own free will. Even supposing the tax was not imposed by the Mysore Government, the local consumer would in no way escape the burden of the taxation while, at the same time, instead of the local Government deriving the benefit of it, the Government of India would do so.

MR. HOSAKOPPA KRISHNA RAO said that in such a case, the State should have asked for protection for the infant industry in the State and delayed imposing the tax as long as possible. It might be that this duty was only a temporary one, but still, the imposition of such duties should, as far as possible, be avoided in view of the present economic depression.

Referring to the remarks made by Mr. Chengalaraya Reddy that Federation was dawning upon India and that therefore Mysore should agree to the duty on matches which would become a federal tax, Mr. Krishna Rao said that the scheme of Federation implied many good points like Responsible Government, wider powers and greater privileges, and there was no use in hugging only

to implications which related to taxation, postponing others which would really benefit the people. When Federation came in with all its good points, then it might be necessary to face all its consequences. At present, however, people at large were not yet prepared to face all the implications and complications connected with Federal Government and it was not expedient for any one to place himself under any delusion and pride himself over the privilege of giving effect to those portions of the Federal scheme which related to taxation. The duty under discussion, he said, might have been proposed by the Government of India due to an inadequate understanding of the position of industries in Indian States and it was up to the subjects of such States at least, first, to know their own position and next to appraise the Government of India of the same. If this was done, he hoped that the Government of India would not grudge foregoing the income from this new levy. So it could not be said that the Government of India would refuse help to local industries if it was absolutely necessary. For example, they had subsidised the Tata Iron Industry some years back when the iron industry had suffered seriously as a result of foreign competition. Let not the Government therefore agree to impose the levy in Mysore because it would not make for the tax-payer's comfort or convenience. If no option was left for them, let them utilise the proceeds for giving a subvention to the local match industry and if the Government of India really objected to it, let the State then levy it as a necessary evil and consider how best it should help the industry to thrive.

Mr. B. S. Puttaswami, speaking in support of the measure, emphasised the points urged by Mr. C. N. Narasinga Rao.

Regarding the grant of subvention to the local match industry, he said that it had no connection whatsoever with the measure before the House, and that irrespective of the levy of an excise duty, Government might give the necessary help to any industry with a view to foster its growth.

Messrs. B. Narain Reddy and S. V. Gurumurthiachar also supported the measure.

Mr. M. C. Linge Gowda, in supporting the measure, said that Mysore stood to lose if the duty was not imposed. As a result of the levy, Government would get much more revenue than the receipts from the excise duty levied within the State. It was therefore right that the duty should be imposed. The question of subvention was no doubt an

important one, but it might, with advantage, be discussed separately.

At this stage, the general principles of the Bill were put to vote and *passed*, only one member voting against.

III. Bill to provide for the Imposition and Collection of an Excise Duty on Sugar.

THE SECRETARY TO GOVERNMENT, DEVELOPMENT DEPARTMENT, explained the general principles of the Bill as follows :—

" By the passing of the Sugar (Excise Duty) Act of 1934, which is given effect to from the 1st April 1934, the Government of India have imposed an excise duty on sugar produced in the factories in British India at the rate of Rs. 1-5-0 per cwt. As this Act does not extend to manufacturers in Indian States, the consequence in the absence of safeguards will be that the factories in Indian States which produce sugar will be able to send their sugar into British India unburdened with any duty, and to compete at an undue advantage with British Indian manufacturers. In order to protect the British Indian manufacturers from this loss, Section 6 of the Act empowers the Governor-General in Council to impose an import duty equivalent to the excise duty on sugar imported into British India from any Indian State not declared as a foreign territory under Section 5 of the Indian Tariff Act, 1894. The Government of India have, however, decided not to exercise this power in respect of any Indian State which consents to impose a countervailing excise duty, the revenue from which would go to the treasury of the State concerned. It is, therefore, necessary to introduce legislation providing for the levy of a similar excise duty on sugar manufactured in Mysore. The Bill is designed to give effect to this."

MR. B. S. PUTTASWAMI enquired what would be the difference in the price of locally manufactured sugar and that of the imported sugar with the excise duty imposed on it.

THE SECRETARY TO GOVERNMENT, DEVELOPMENT DEPARTMENT, replied that the price level would not depend upon the duty alone, but would depend upon various factors such as demand, supply and the cost of production as well.

MR. B. S. PUTTASWAMI then enquired whether there would be any possibility of the indigenous industry thriving if foreign sugar, even after paying duty, was sold here cheaper than the locally manufactured product.

THE SECRETARY TO GOVERNMENT, DEVELOPMENT DEPARTMENT, said that such a situation was not likely to arise.

MR J. MAHOMED IMAM pointed out that if the quantity of foreign sugar imported into the State was greater than that exported out of it, the entire scheme under contemplation would fail; because on the one hand, the local industry would derive no encouragement, and on the other, British India would gain more on account of the duty.

THE SECOND MEMBER OF COUNCIL replied that available statistics relating to exports and imports would be shown to him if desired.

MR. P. SEETHARAMIAH said that the Bill under discussion was quite different in nature from the one which the House had just passed; for according to this Bill, the Mysore Government would not get anything from the Government of India. The Government of India had imposed a duty on foreign sugar with a view to encourage local enterprise. That should have been allowed to work for some time before the second step was taken by the Government of India. It might be that the protection given was not too much; in which case, there would be no justification for levying a duty on locally manufactured sugar also. The excise duty on sugar produced in British India might have been levied with a view to secure British interests; it might be that under an arrangement between England and Java, British cotton goods were proposed to be exported to Java in consideration of which Java could send its sugar to India. At present, Java sugar was largely consumed by the people and its price was high on account of the import duty levied on it. In case no excise duty was levied on sugar produced in Mysore, it would be possible for it to sell cheaper than Java sugar and that would act as an inducement for people in Mysore to go in for the local produce only. So, he thought that Government should not levy any duty on Mysore sugar. It might be that they get some extra revenue by its imposition, but that consideration alone should not weigh heavily with them. For these reasons, he opposed the measure before the House.

MR. M. A. GOPALASWAMI IYENGAR said that by the imposition of the duty neither consumers nor suppliers would be benefited. So far as the Government of India were concerned, they had several reasons for the imposition of the duty. Firstly, the protection to sugar was more than the Tariff Board recommendations. Secondly, the revenue from

customs duties had fallen on account of industries being encouraged in India and they wanted to make up the loss of revenue by levying an excise duty on sugar produced in India. Thirdly, the duty was calculated to prevent over-production of sugar in India in the near future. Fourthly, it was also expected that by getting used to pay such indirect taxes, the people would be preparing themselves for all the indirect taxation which would be inevitable under the proposed Federal Constitution; and lastly the duty was levied in order to enable the Government to tide over the present financial difficulties. None of those reasons existed in the State and therefore a similar duty was not called for in the State. Even in the Central Legislature, it was stated that the industry was still in an infant stage and the imposition of a duty would affect its growth and that the purchasing power of the bulk of the consumers being poor, they could not afford to pay enhanced prices. Yet the duty was levied and the only two parties that seemed to benefit by the duty were the Government of India and the English merchants. This contention, he said, derived support from the reports that the Associated Chamber of Commerce of India was already protesting that Java sugar imports had fallen in India and consequently the shipping trade had lost heavily and that Lancashire had entered into agreements with Dutch Indies and other interests by which the latter would be enabled to export their sugar to India, provided they went in for the necessary supplies of cotton goods from the former. If these were the grounds for the levy of the British Indian duty, he did not see any reason why Mysore should also levy a duty on its own sugar. The sugar industry in the State was still in an infant stage and should not be subjected to any such disabilities. But, in case it was decided to levy a duty, it would be absolutely necessary to give adequate protection to the industry and to give an assurance to this effect in advance of the contemplated legislation.

When the question of the imposition of this duty was discussed in the Legislative Assembly, a question was asked as to what protection would be given to the cane growers and Sir George Schuster replied that 7 lakhs of rupees would be provided for the purpose. But a provision to that effect had not been included in the legislation there. He hoped that Mysore would not be anxious to copy the British Indian example even in this respect, but would provide for adequate protection to the cane growers in the Bill itself.

MR. L. VEMA REDDY said that under the proposed measure nearly one-eighth of the price of the commodity would have to be given away as duty, in which case the remaining seven-eighths would not be sufficient to cover the cost of production and also leave a margin of profit. And if for any reason the price of sugar fell at a future date, the burden would fall heavily on the producer.

MESSRS. B. S. PUTTASWAMI and T. S. ALI KHAN pointed out that it was the consumer that would suffer and not the grower.

MR. L. VEMA REDDY said that the raiyats had already been burdened with all sorts of taxes and could bear no further taxation. For these reasons, he opposed the measure.

MR. TUDKI RAMANNA GOWDA said that every municipality was levying octroi on sugar at the rate of 2 annas per maund. That amount, together with the excise duty imposed by the Government, would raise the price of sugar by nearly Rs. 2 per maund. The consumers would find it very difficult to pay such high prices. For this reason, he suggested that at least one of the two levies should be done away with.

MR. C. N. NARASINGA RAO, comparing the merits of the measure which had just been agreed to by the House with those of the measure under consideration, said that there was much difference between an excise duty on matches and a similar levy on sugar. In the case of matches, the Government of India had taken power to prohibit the export of the commodity from any State which did not levy a duty on its own manufacture. That was not the case with sugar exported by any State. If at all, they might impose a duty on the sugar so exported and that would not prevent the sugar selling cheap within the State; at the same time, it would prevent foreign sugar being imported into the State. But if the duty was levied, the cost per cwt. would rise by Rs. 1-5-0 which was not just. After all, the anticipated income to Government from this source was only about Rs. 2 lakhs which was not much. In the interests of the consumers, he said, this levy should not be imposed and for this reason, he opposed the measure.

MR. Z. JOHN said that the sugar industry in the State, being new, required some protection. On the one hand, the people in the State must be benefited, and on the other, Government should not forego any possible extra revenue. From this point of view, he suggested that only sugar going beyond the borders of the State should be taxed with the

duty. If this was done, he said, the Government of India's desire in the matter would also be respected.

MR. N. G. SANJEEVIAH said that Government all along professed that they were well-wishers of the people, but their legislative measures seemed to belie those professions. He had no objection to the imposition of the excise duty on factory-made sugar. But the legislation contemplated the imposition of a duty even on sugar manufactured by the open pan process, which was very undesirable. There were a number of people in the Bangalore and Kolar Districts who manufactured sugar on a small scale and they would all be put to great hardship by the levy of this duty, and many of the sugar-cane growers would have altogether to give up cane cultivation. That was not all. If the duty was agreed upon, the Government might ask the cane cultivators and sugar manufacturers to maintain accounts which they could not do. And if they failed to do so, they might get into trouble and would have to keep going about between lawyers' offices and courts of law. In all these ways, the raiyats would be hit hard by the proposed legislation.

Khan Bahadur MAHOMED ABBAS KHAN, in supporting the measure, said that if the price of sugar increased, the cane grower would be benefited. No doubt the consumer would have to pay a higher rate, but that could not be helped. The raiyats were aware that by raising sugar-cane they could make a decent profit and that was why a number of raiyats were coming forward in the Irwin Canal area as well as in the Kolar and other districts to undertake sugar-cane cultivation. Near Bhadravati, the raiyats wanted that a sugar factory should be started. When so much cane was grown in the State and converted into sugar, it would have to be sent outside as all the output would not be consumed within it. Even if the State did not impose the contemplated excise duty, the local raiyat would not be relieved of the burden, because the Government of India would levy it and make all the profit at the cost of the State. So, it was not wise to resist the levy of the duty. On the other hand, it was desirable to agree to the levy and thereby induce more and more growers to take to sugar-cane cultivation and derive better prices and enable them to export sugar to the rest of India. It must be the ambition of every one, he said, to see that Mysore sugar captured all the Indian markets if possible. With these remarks, he appealed to the members to give their hearty support to the measure.

At this stage, the SECOND MEMBER OF COUNCIL observed that as there seemed to be some misapprehensions on the part of some members in respect of the measure, he would explain the case in detail. One of the members had stated that there was a great difference between the Bill to provide for the imposition of an excise duty on matches and the one under discussion. He could not agree with that view. Both were Bills intended for the purpose of increasing the revenues of the State. The considerations underlying the one applied to the other also. The Government of India had passed legislation to impose excise duty on sugar and matches and it was unnecessary for this Assembly to discuss the reasons which had prompted them to do so. The Government of India having imposed the duty, it was incumbent on the Mysore Government to consider what they should do under the circumstances. Of course, there was no sort of pressure from the Imperial Government. The Mysore Government had thought over the matter carefully and come to the conclusion that in the interests of the industry, they should also impose a similar duty on sugar. Every taxation did mean some measure of hardship to some people. But it had to be realised that this particular measure was beneficial to a majority of people. The Government of India themselves had discussed the question from that point of view and on similar grounds the Government of Mysore had come to the conclusion that it would further the larger interests of the State to levy this duty.

Referring to the arguments put forward by a member of the House that if the tax was not levied the consumer would have the advantage of paying less for sugar, the Second Member of Council observed that that was the result of a mistaken impression. Sugar being a world commodity, the fixing of its price was not in the hands of any particular factory or group of manufacturers. The ruling price of Java white sugar was the standard and that would influence the local rates; merchants would never sell below those rates whether a duty was levied locally or not. Not only that. If the duty was not levied by Mysore, the Government of India would impose the tax on all sugar exported out of Mysore and enrich their own treasury at the cost of the State. It could not be said that the sugar manufactured in the State in future would all be consumed in the State itself. Roughly, about 50 per cent of the produce would have to be exported outside. It was expected that about 6,000 tons would be the output in the current

year, out of which 3,000 tons would be exported. At the rate of Rs. 26 per ton, nearly Rs. 80,000 would be the tax payable to the Government of India. How would that benefit the local manufacturers or consumers in any way? If, on the other hand, the duty was levied in Mysore, the Government of Mysore would get the income while at the same time the cane growers would not stand to lose anything, though the consumer would have to pay slightly higher rate. It was not the policy of the Government to levy any new taxes; in fact, in spite of the deficit budgets during the past few years, no proposals for fresh taxation had been brought forward in view of the economic position of the general tax-payer. But since the Government of India had decided on the levy, it had become necessary for the Government of Mysore to consider what its own position was in the matter.

In regard to exempting all sugar produced by the open pan process from the levy as suggested by Mr. Nilgiri Sanjeeviah, the Second Member of Council said that as 90 per cent of the sugar manufactured in the country was produced by that process and if all of it was exempted, very little would be left to be taxed and the object of the measure under discussion would be altogether frustrated.

Referring to the suggestion made by Mr. Z. John that only sugar going outside the State might be taxed, the Second Member of Council observed that it would not be practicable to do so. Excise duty was always based on production, and no differentiation could be made as between sugar consumed locally and sugar exported to outside markets. After all, the duty proposed to be levied was not very heavy. It had been carefully calculated by the Government of India. The import duty *plus* the surcharge on foreign sugar would be about Rs. 9-1-0 and as against that the proposed protection would come to about Rs. 7-12-0. The balance of Rs. 1-5-0 alone would be the excise duty leviable and the same rate would be adopted in the State.

ANOTHER MEMBER enquired whether the price of sugarcane would not be reduced if the Sugar Factory deducted the duty paid from the price to be paid to the grower.

THE SECOND MEMBER OF COUNCIL did not think that it would affect the interests of the cane grower in any way. In fact, another legislation to protect the interests of cane growers in the State would be placed before the Legislative Council and a committee would be appointed for the purpose, on which would be represented the cane growers, factory owners and the Government. That committee

would fix the price of cane with reference to its quality, and that price would necessarily have to be paid by the factory.

MR. H. KRISHNAMURTHI ACHAR did not think that, if the price of foreign sugar and that of the locally manufactured sugar was the same, there would not be much demand for the local supply. He therefore suggested that the local sugar must be enabled to sell at a cheaper rate than foreign sugar.

Dharmapravartha M. L. NAGAPPA SETTY said that, in framing the legislation, the interests of the cane growers had not been disregarded. They were sure to get reasonable prices for their cane. The price of cane depended upon its variety and growth. This legislation therefore was a protective measure. Government had contributed 60 per cent of the capital of the factory and they would not do things which would entail them in loss. If the Government got heavy dividends, others interested in the industry would get their share of the profit. Bearing this in mind, he said, the House should give its support to the measure.

At this stage, the Assembly adjourned for lunch and reassembled at 3-30 P.M.

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Swearing in of Members.

Before discussions were resumed, the following members took the Oath of Allegiance :—

1. Mr. H. M. Channabasappa.
2. ,, Channagiri Rangappa.
3. ,, Patti Basappa.

GOVERNMENT BUSINESS—(*Continued*).

III. Bill to provide for the Imposition and Collection of an Excise Duty on Sugar—(*concld.*).

MR. SINGRI NANJAPPA was at a loss to understand the statement that the proposed excise duty would not affect the raiyat. Even though it might not affect the sugar-cane grower directly, it was bound to affect the consumer. The sugar factory had just commenced work and how far it would be helpful to the raiyats had yet to be ascertained. He would therefore suggest the postponement of the measure till the next session of the House.